



Expert.ai: the Board of Directors approved the consolidated results as of June 30, 2021

Total revenues up 11% vs. 1H 2020

Continues the increase of the recurring licenses (+102% vs. 1H 2020) and in the indirect channel (+133% vs. 1H 2020) confirming the evolution of the business model according to the Group's strategic growth lines

Significant investments in S&M and R&D continue to be made in the US and Italy respectively as a driver of growth

**Solid capital structure
Cash positive net financial position**

To confirm and support the significant growth of the Company in the last two years, the Board of Directors approved the translisting to the MTA Market

The Ordinary and Extraordinary Shareholders' Meeting convened on October 14, 2021 to approve, inter alia, the transition to the one-tier system and the granting of powers to the Board of Directors pursuant to Articles 2443 and 2420-ter of the Italian Civil Code

Modena, September 28, 2021

The Board of Directors of expert.ai, a company listed on the market *AIM Italia* and a leader in the Artificial Intelligence market, met today and approved the Group's Consolidated Financial Report as of June 30, 2021, fully audited.



Walt Mayo, CEO of expert.ai commented as follows:

"Over the first-half, we have executed on our plan to lead the AI-based language technology market by advancing the product roadmap and by establishing a global marketing pipeline. As enterprises look to unlock the value of language, they are exploring more sophisticated use cases to harness the potential of artificial intelligence. These results reflect our ability to provide an immediate business impact by helping companies reduce the cost and complexity associated with natural language workflows.

With the launch of our new Platform at the end of June, we made our technology more accessible. By fueling the combination of different artificial intelligence techniques to design and deploy powerful, practical ROI-oriented applications, we enable organizations to create the strategic capability for reaching full natural language potential at speed and scale for the long-term.

Looking forward, we are also positioning our company for a broader market offered by Borsa Italiana (MTA) and the governance provided by a board structured in line with the one-tier system, that closely supports both strategic decisions as well as day-to-day business. While delivering value and insights organizations can understand and act upon, we are looking forward towards our unique vision to combine the best of AI-based knowledge and learning approaches to help enterprises accelerate, augment and expand specific expertise for every job and process that involves language."

Key consolidated financial results as of June 30, 2021

The Board of Directors also resolved to adopt the International Accounting Standards (IAS/IFRS) starting from the consolidated financial report as of December 31, 2020.

Euro/million	1H 2021 IFRS	1H 2021 ITGAAP	1H 2020 IFRS	1H 2020 ITGAAP
Total revenues	11.8	11.8	10.6	10.6
EBITDA	(8.1)	(7.0)	(6.0)	(4.6)
EBIT	(11.5)	(10.2)	(9.1)	(7.8)
Net result	(10.9)	(9.9)	(4.3)	(3.1)

Euro/million	1H 2021 IFRS	1H 2021 ITGAAP	FY 2020 IFRS	FY 2020 ITGAAP
Net financial debt	(11.2)	(13.3)	(18.8)	(20.9)
Shareholders' equity	37.1	34.2	46.9	44.6

In the context of the translisting from the *AIM Italia* to MTA, where, in accordance with requirements from Borsa Italiana, financial information must be represented in accordance with International Financial Reporting Standards (IFRS), the Company has drawn up the consolidated financial statements for the year ended December 31, 2020, and the consolidated half-yearly financial report for the six months ended June 30, 2021 in accordance with IFRS.

For greater clarity and consistency with the past, the initial table also shows the data reported with ITGAAP. For further details please refer to the reconciliations between OIC and IFRS information contained in the report dated June 30, 2021. The following paragraphs contain comparisons and comments on the financial information of June 30, 2021 and on the entire 2020, both expressed using International Financial Reporting Standards (IFRS).

Total Revenues¹ as of June 30, 2021 amounts to Euro 11.8 million recording a growth of approximately 11% compared to the value as of June 30, 2020 (Euro 10.6 million). This growth is mainly attributable to recurring licensing revenue of Euro 4.5 million (Euro 2.2 million, as of June 30, 2020), up 102% YoY and accounting for 87% of total licensing revenue.

The total recurring component of sales (recurring licenses plus maintenance) represents more than half of total revenues in 2021, approximately 53%.

Perpetual licenses of Euro 0.7 million are stable compared to June 30, 2020, while professional services decrease compared to June 30, 2020, and amounted to Euro 3.5 million (Euro 4.1 million as of June 30, 2020).

In line with the company strategy, the indirect channel continues to grow (+133% compared to June 30, 2020), through international players and local partners who independently manage the sale of the platform and the implementation and customization of the product, according to the specific needs of the customer. The indirect channel represented 17% of total revenues as of June 30, 2021.

¹Total given by net revenues (net of Inventory change) plus Other income

The table below shows the breakdown of revenues as of June 30, 2021 compared to the data as of June 30, 2020:

Euro/million	1H 2021 IFRS	%	1H 2020 IFRS	%
Recurring licenses	4.5	42%	2.2	23%
Maintenances	1.7	16%	2.2	23%
Perpetual licenses	0.7	6%	0.7	7%
Professional services	3.5	32%	4.1	43%
Hosting	0.3	3%	0.3	4%
Net revenue	10.8	100%	9.5	100%
Inventory change	(0.0)		(0.0)	
Other income	1.0		1.1	
Total revenues	11.8		10.6	

EBITDA is negative by Euro 8.1 million (negative Euro 6.0 million as of June 30, 2021). The decrease in EBITDA, despite the growth in revenues, is mainly due to the significant investments in human resources for Sales & Marketing (S&M) and Research & Development (R&D) respectively in the USA and Italy. The main impact on EBITDA due to the transition to international accounting standards relates to the accounting of cost of work arising from the Stock Option and Stock Grant Plans.

EBIT is negative for Euro 11.5 million (negative for Euro 9.1 million as of June 30, 2021), against an amortization of intangible assets of Euro 2.9 million in line with June 30, 2020 (Euro 2.7 million) mainly referring to capitalised research and development costs.

Financial management reports a result of Euro 0.3 million (positive for Euro 4.6 million as of June 30, 2020). The 1H2020 figure was influenced by the significant capital gain realized on the sale of the minority shareholding in CY4Gate S.p.A., during the listing on *AIM Italia*.

The **net result** underlines a loss of Euro 10.9 million (loss of Euro 4.3 million as of June 30, 2020).

The **Net Financial Position** is cash positive for Euro 11.2 million compared to a cash NFP positive for Euro 18.8 million on December 31, 2020. The evolution in the Net Financial Position reflects the cash flow absorbed by investments in Sales & Marketing and Research & Development in line with the company strategy.



Shareholders' equity amounts to Euro 37.1 million, compared with Euro 46.9 million on December 31, 2020.

In this context, the Company has also begun a review and the update of the "2020-2024" Business Plan disclosed to the market on June 9, 2020, the outcome of which will be promptly disclosed to the market in accordance with current regulations.

Main events occurring during the first half of 2021

FINANCIAL EVENTS

On *February 12, 2021*, expert.ai announced the renewal of its intercompany loan plan for subsidiaries.

On *May 11, 2021*, expert.ai announced the effectiveness of the new corporate name "Expert.ai S.p.A." and following the new company name, the Company requested to Borsa Italiana S.p.A. the modification of the ticker "EXSY" with the new ticker bearing the wording "EXAI".

On *May 12, 2021*, expert.ai announced the vesting of the third and final *tranche* of the 2018-2020 Stock Grant and Stock Option Plans and the first *tranche* of the 2020-2023 Stock Grant and Stock Option Plans.

On *June 22, 2021*, expert.ai announced the launch of its new hybrid platform based on natural language understanding called "expert.ai Platform", consistent with the provisions of the 2020-2024 business plan.

CUSTOMERS, PARTNERSHIPS AND AWARDS

On *January 7, 2021*, expert.ai announced that it has entered into an agreement with HX, a business unit of Howden Group Holdings that specializes in digital data analytics and distribution in the insurance market, that will enable improved data analytics services.

On *February 15, 2021*, expert.ai announced that French independent mutual insurance group Le Conservateur has selected expert.ai's artificial intelligence technology to accelerate the contract review and verification process, optimizing the analysis and comparison of insurance policies.



On *February 17, 2021*, expert.ai announced a strategic partnership with Patra, a leading US insurance services company, to apply expert.ai's artificial intelligence technology to solutions offered by Patra to support policy analysis and review with the strategic goal of extending the use of artificial intelligence across the entire value chain.

On *February 23, 2021*, expert.ai announced a new agreement with The Associated Press (AP), the first independent international news agency based in New York. The basis of the collaboration is the supply of expert.ai's artificial intelligence platform for natural language understanding (NLU) and content classification.

On *March 15, 2021*, expert.ai announced the launch of a Community dedicated to the Artificial Intelligence Ecosystem to simplify the development of innovative new apps by facilitating the use of its technology, products and APIs based on natural language understanding and processing (NLU/NLP).

On *March 23, 2021*, expert.ai signed an agreement with *Reale Mutua*, Italy's leading mutual insurance company, which has chosen the potential of expert.ai's natural language understanding and processing to evolve its claims management and innovate its claims model.

On *April 8, 2021* expert.ai announced that it has extended its partnership with Fincons Group, one of the leading international players in consulting and system integration, to support the digital transformation of banks and insurance companies by leveraging the potential of expert.ai's Natural Language (NL) API offering.

On *April 15, 2021*, expert.ai announced that law firm Cartwright Pescatore has chosen expert.ai's Natural Language technology to save time and improve work efficiency by automating the reading and comparison of text and documents with the highest accuracy.

On *May 18, 2021*, expert.ai announced that EBSCO, the world's leading US company in technologies and services for scientific research and libraries, has chosen expert.ai to enhance metadata enrichment and indexing performed by subject matter experts.

On *June 30, 2021* expert.ai announced that it won the Ventana Research "Digital Innovation" award. Expert.ai's platform in first place in the "Digital Technology" category due to its use of artificial intelligence for natural language understanding and digital innovation capability.



Events occurred since the end of the first half of 2021

On *July 7, 2021* expert.ai announced an OEM partnership with msg DAVID, a German leader in software solutions and IT consulting, offering IT solutions based on artificial intelligence to harness the potential of enterprise data.

On *July 12, 2021*, expert.ai was listed by KMWorld in the KMWorld AI 50, the list of companies that stand out for their ability to improve knowledge management by harnessing the power of artificial intelligence.

On *18 August 2021* expert.ai announced its membership in GAIA-X, a pan-European project initiated to enable secure, open and sovereign use of data. In particular, expert.ai has joined the GAIA-X Data Spaces, supporting the fundamental role that artificial intelligence (AI) tools and methodologies play in supporting the design, testing, validation, verification and maintenance of AI systems.

On *August 23, 2021* expert.ai announced its win at the WorldFestival 2021 Innovation Awards, Artificial Intelligence & Machine Learning category, for its ability to leverage hybrid artificial intelligence to accelerate, augment and expand skill acquisition for any task or process involving language.

On *September 8, 2021*, expert.ai's Platform won the Trend-Setting Products 2021, the prestigious award given annually by KMWorld to recognize the most advanced and innovative technology solutions that improve knowledge management and organizational efficiency.

Business outlook

This year's performance is in line with forecasts and the seasonality of the company's business, which historically generates approximately one third of its annual revenues in the first half of the year. In a market context gradually improving during the first half of the year, the development of the new platform was completed: launched at the end of June, and called "expert.ai Platform", is now available for marketing. The Platform is scalable and accessible as a cloud in SaaS - Software as a Service - mode through a recurring annual subscription. This mode allows easy access and immediate



use of the advanced features provided by the Platform to develop and manage applications that enable faster acquisition of strategic information useful to accelerate decision-making processes, to increase and expand knowledge in all processes and activities based on the use of information expressed in natural language.

At the same time, plans were pursued to strengthen sales and marketing activities, particularly in the US market. The results of the development of these activities, on both the technical and commercial fronts, will be seen in the second half of the year and, even more so, in 2022 as a result of the investments made so far.

Proposal to launch the project of Translisting on the "MTA" regulated market

Today, the Board of Directors, took the preliminary resolutions to the translisting project which, subject to a favorable resolution by the Shareholders' Meeting, will involve the transfer of trading in expert.ai shares from the "AIM Italia" multilateral trading system to the regulated "MTA" market.

The project, which confirms the important transformation and growth of the Company over the last two years, will allow, among other things, to benefit from a potential greater liquidity of the stock thanks to the broadening of the base of institutional investors on the domestic and international markets and a greater visibility on the reference markets.

Proposal to adopt the one-tier system of administration and control

The Board of Directors also resolved to propose to the next Extraordinary Shareholders' Meeting the adoption of the one-tier system of administration and control and, consequently, the approval of certain amendments to the Articles of Association concerning the governance, as well as the increase in the number of members of the Board of Directors.

The adoption of the one-tier system will allow for better integration of control activities within the Board of Directors through the establishment of the Management Control Committee (*Comitato per il controllo sulla gestione*) and will encourage alignment of the Company's governance to international best practice.

Proposal to grant the Board of Directors a proxy pursuant to Articles 2443 and 2420-ter of the Italian Civil Code.

During the same meeting, the Board of Directors resolved to submit to the Extraordinary Shareholders' Meeting the grant of a proxy, pursuant to Articles 2443 and 2420-ter of the Italian Civil Code, to increase the share capital and/or issue convertible bonds, also with exclusion of the pre-emptive right, in accordance with Article 2441, paragraph 5, of the Italian Civil Code, up to a maximum amount of Euro 10 million and until December 31, 2024.

This proxy falls within the 2020-2024 Business Plan and is intended to provide the Board with alternative financial resources in the context of the refinancing of the currently outstanding medium/long term credit facilities.

Notice of meeting of Ordinary and Extraordinary Shareholders' Meeting

Finally, also today, it was resolved to convene the Ordinary and Extraordinary Shareholders' Meeting on first call on October 14, 2021 and on second call on October 15, 2021 with the following agenda:

In extraordinary session

- 1. Adoption of the one-tier system of administration and control and consequent amendments to the Articles of Association. Related and consequent resolutions.*
- 2. Attribution to the Board of Directors of a proxy, pursuant to articles 2443 and 2420-ter of the Italian Civil Code, to increase the share capital and/or issue convertible bonds, also excluding option rights pursuant to article 2441, paragraph 5 of the Italian Civil Code. Attribution to the Board of Directors of a proxy, pursuant to articles 2443 and 2420-ter of the Italian Civil Code, to increase the share capital and issue convertible bonds, also excluding option rights pursuant to article 2441, paragraph 5, of the Italian Civil Code. Consequent amendments to the Articles of Association. Related and consequent resolutions;*

In ordinary session

- 1. Integration of the Board of Directors.*
- 2. Determination of the remuneration of the members of the Management Control Committee (Comitato per il controllo sulla gestione).*
- 3. Approval of the project to listing of ordinary shares on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A.; related and consequent resolutions.*

In extraordinary session



- 3. Amendments to the Articles of Association in order to apply for admission to listing on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A.; related and consequent resolutions.*

Notice of the meeting will be published in the manner prescribed in the Articles of Association on September 29, 2021.

The Consolidated Half-Yearly Financial Report as of June 30, 2021 and the Consolidated Financial Statement as of December 31, 2020, prepared in accordance with the international accounting principles IFRS will be made available to the public within the terms and according to the procedures set out in the AIM Italia Issuers' Regulations, as well as on the Company's website www.expert.ai, in the "Investor Relations/Financial Report" section.

Expert.ai's results for the six months ended June 30, 2021 will be presented to the financial community on September 29, 2021 during a webinar at 3:00 p.m. (CEST), 10:00 a.m. (EDT).

For further information, please refer to contacts at the end of this press release.

This press release is available on the Company's website <https://www.expert.ai> and on www.emarketstorage.com.

Expert.ai

Expert.ai is one of the leading artificial intelligence platforms for language understanding. Using a hybrid approach to Natural Language Understanding, based on a unique blend of human-like symbolic understanding and machine learning, expert.ai transforms high-density information processes into practical knowledge, providing the insight needed to improve decision-making within organizations. With a comprehensive offering on-premises and via private and public cloud, expert.ai supports business operations, accelerates data science workflows by rapidly scaling their potential and simplifies the adoption of artificial intelligence across various market sectors including Insurance, Banking & Financial Services, Publishing & Media, Defense & Intelligence, Healthcare & Pharmaceuticals, Energy, etc. Expert.ai (EXAI:IM) has established its leadership in the market for artificial intelligence applied to language analysis serving global companies such as AXA XL, Zurich Insurance Group, Generali, The Associated Press, Bloomberg INDG, BNP Paribas, Rabobank, Gannett and EBSCO.

For more information: <https://www.expert.ai/it/>

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Attached:

- Profit & Loss Account Consolidated Report as of June 30, 2021
- Consolidated balance Sheet as of June 30, 2021
- Consolidated net financial position as of June 30, 2021

Profit & Loss Account Consolidated Report	30/06/2021	30/06/2020	Variation
Net revenue	10,783,594	9,573,487	1,210,107
Inventory change	(10,700)	(49,960)	39,260
Other income	1,029,956	1,098,782	(68,826)
Total revenues	11.802.850	10.622.309	1.180.541
Own work capitalised	4.347,743	3,110,558	1,237,185
Production value	16,150,593	13,732,867	2,417,726
External operating costs	(7,141,331)	(7,695,465)	554,133
Economic value added (EVA)	9,009,262	6,037,402	2,971,859
Cost of labour	(17,110,034)	(11,987,412)	(5,122,623)
EBITDA	(8,100,772)	(5,950,009)	(2,150,763)
Amortization, depreciation and other provisions	(3,442,886)	(3,126,105)	(316,781)
Net operating profit	(11,543,658)	(9,076,115)	(2,467,544)
Financial income and expenses	308,015	4,574,940	(4,266,925)
Ordinary profit	(11,235,643)	(4,501,174)	(6,734,469)
Result of the extraordinary area	-	-	-
Pre - tax results	(11,235,643)	(4,501,174)	(6,734,469)
Income taxes	241,320	182,801	58,519
Net result	(10,994,323)	(4,318,373)	(6,675,950)

Balance Sheet Consolidated Report	30/06/2021	31/12/2020	Change
Net intangible assets	17,829,223	16,239,577	1,589,646
Net tangible assets	2,756,174	2,236,785	519,389
Equity investments and other non - current financial assets	4,502,332	4,073,533	428,799
Fixed capital	25,087,729	22,549,895	2,537,834
Short-term financial assets	-	-	-
Warehouse inventories	-	10,700	(10,700)
Trade receivables	16,730,352	20,860,698	(4,130,346)
Other receivables	5,471,144	4,950,985	520,159
Accrued income and prepaid expenses	318,883	407,221	(88,338)
Short-term assets	22,520,379	26,229,604	(3,709,225)
Trade Payables	(3,517,210)	(4,117,024)	599,815
Advance payments	(468,009)	(297,054)	(170,955)
Tax and social security payables	(1,743,225)	(1,732,085)	(11,140)
Other payables	(3,377,901)	(3,026,981)	(350,920)
Accrued expenses and deferred income	(4,095,177)	(4,374,410)	279,234
Short-term liabilities	(13,201,520)	(13,547,554)	346,034
Net working capital	9,318,859	12,682,050	(3,363,191)
Employee severance indemnity	(3,470,491)	(3,368,195)	(102,296)
Tax and social security payables after 12 months	-	-	-
Accrued expenses and deferred income after 12 months	(4,049,338)	(2,731,987)	(1,317,351)
Other medium and long - term liabilities	(976,224)	(987,831)	11,607
Medium/long - term liabilities	(8,496,053)	(7,088,013)	(1,408,040)
INVESTED CAPITAL	25,910,536	28,143,932	(2,233,396)
Shareholders' equity	(37,132,484)	(46,925,794)	9,793,310
Net medium/long - term financial position	(25,482,201)	(29,258,373)	3,776,172
Net short - term financial position	36,704,149	48,040,235	(11,336,086)
OWN EQUITY AND NET FINANCIAL DEBT	(25,910,536)	(28,143,932)	2,233,396

Net Financial Position Consolidated Report	30/06/2021	31/12/2020	Change
A - Cash in hand	44,610,511	53,978,395	(9,367,884)
B - Cash equivalents	-	-	-
C- Other current financial assets	16,340	16,325	15
D- Liquidity (A + B + C)	44,626,851	53,994,720	(9,367,869)
E - Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	7,922,702	5,954,485	1,968,217
F - Current portion of non-current financial debt	-	-	-
G - Current financial debt (E + F)	7,922,702	5,954,485	1,968,217
H - Net current financial debt (D-G)	36,704,149	48,040,235	(11,336,086)
I - Non-current financial debt (excluding current portion and debt instruments)	15,544,681	18,245,943	(2,701,262)
J - Debt instruments	6,977,300	7,931,800	(954,500)
K - Trade payables and other non-current payables	2,960,220	3,080,630	(120,410)
L - Non-current financial debt (I+J+K)	25,482,201	29,258,373	(3,776,172)
M - Net financial debt (H+L)	11,221,948	18,781,862	(7,559,914)